

Dover Industries Limited
ANNUAL REPORT 1975



Dover Industries Limited

DIRECTORS

MRS. K. L. CAMPBELL
Toronto—President
Dover Industries Limited

HON. J. M. GODFREY, Q.C.
Toronto—Senior Partner
Campbell Godfrey & Lewtas

G. F. DOWLING
Burlington—Vice-President and
General Manager
Howell Packaging

E. C. LABARGE
Hamilton—Vice-President
Dover Industries Limited

J. R. MCPHEE
Hamilton—Vice-President Finance
and Secretary Treasurer
Dover Industries Limited

W. H. PINCHIN
Midland—Director
Dover Mills Limited

G. R. SHARWOOD
Toronto—Chairman and
Chief Executive Officer
Guaranty Trust Company of Canada

D. SMITH
Cambridge—Vice-President
Dover Industries Limited

J. M. VALLANCE
Hamilton—Secretary-Treasurer
Vallance Brown and Company Limited

D. H. WARD
Toronto—Chairman
Dominion Securities Corporation
Harris & Partners Limited

C. L. WECKMAN
Halifax—Vice-President
Dover Industries Limited

D. H. WIGLE
Burlington—Executive Vice-President
Dover Industries Limited

EXECUTIVE OFFICERS

MRS. K. L. CAMPBELL
President

E. C. LABARGE
Vice-President and General Manager
Robinson Cambro Division

J. R. MCPHEE
Vice-President Finance
and Secretary-Treasurer

D. SMITH
Vice-President and General Manager
Ontario Flour and Grain Division

C. L. WECKMAN
Vice-President and General Manager
Dover Mills Halifax

D. H. WIGLE
Vice-President
Howell Packaging Division

G. F. DOWLING
General Manager
Howell Packaging Division

SUBSIDIARY COMPANIES

Cherry Taylor Flour Mills Limited
Chatham and Cambridge, Ontario

Howell Litho and Cartons Limited
Burlington, Ontario

Taylor Grain Limited
Chatham, Ontario

Dover Mills Limited
Halifax, Nova Scotia

Cambro Industries Limited
Hamilton, Ontario

Robinson Cone Company
Hamilton, Ontario

TRANSFER AGENT

Canada Permanent Trust Company,
Toronto, Ontario

HEAD OFFICE

Dover Industries Limited
145 MacNab Street North
Hamilton, Ontario

REPORT TO SHAREHOLDERS:

Your Directors herewith present the 35th Annual Report of Dover Industries Limited, including Consolidated Statements for the year ending December 31, 1975, and a five year Financial Summary.

FINANCIAL HIGHLIGHTS:

Sales:

Sales for 1975 at \$34,117,173 were 1% higher than total sales of \$33,924,510 in 1974. Sales in all divisions were higher with the exception of Taylor Grain.

Earnings:

Consolidated net income for the year was \$1,548,906 compared to \$1,428,869 in 1974. Earnings were \$5.21 per common share after provision for taxes and preferred dividends.

Dividends:

Dividends amounting to \$61,576 or 60¢ per share were paid on preferred shares and \$314,204 or \$1.10 per share on common shares. In September the dividend on the common stock was raised to \$1.40 per share effective for the Dec. 1st, 1975 dividend.

Working Capital:

Working Capital increased to \$3,261,030 from \$1,846,054 in 1974.

Inventories:

Inventories were lower at \$3,908,760 compared to \$4,186,388 in 1974.

Capital Expenditures:

Capital Expenditures for the year were \$370,734. Two new cone machines were installed early in the year at Robinson Cone

and a new extruder was added to the plastic division.

OPERATIONS REVIEW:

Robinson-Cambro:

Sales and profits in this division increased during the year. Two new cone baking machines greatly increased our capacity as well as improving efficiency and product. Plastic sales were down marginally but the paper sales moved ahead. Extra warehouse space was leased nearby to handle the additional volume.

Howell Litho & Cartons:

Higher sales resulted in an increase in net profit for the year. Reduced interest charges, and lower inventory helped bring about a more equitable return on investment.

Operations were handicapped during the last part of the year by supply problems resulting from the strikes in the Paper Board Industry.

Taylor Grain:

A decline in earnings coincided with reduced sales of soya beans and corn. Almost ideal weather throughout the growing season resulted in production of a bumper corn crop of excellent quality. Many producers opted to store their grain at harvest anticipating stronger prices over the winter months. Our storage revenue will increase as a result. Grain storage at our Tupperville elevator is being increased by almost 500,000 bushels. This will be ready to handle the 1976 corn crop and contribute to earnings for the year.

Cherry Taylor:

Both Cambridge and Chatham flour mills operated at near capacity during 1975. Sales

and profits compared favourably to the previous year. The outlook for 1976 could be affected by the Federal Government's proposal to eliminate the "at and east" freight rates—subsidized grain and flour rates from the Lakehead to eastern ports. This decision could seriously affect Ontario mills as well as inland prairie mills.

Dover Mills:

Dover Mills operating profit was down slightly from the previous year however a much lower interest charge brought about a rise in Net Profit over 1974. Total net sales were higher particularly in bakery flour. Energy cost increased 45% during the year and a further increase of 50% is anticipated for 1976. Commercial and city taxes jumped 15% during the year and a further 10% is expected for the coming year.

SUMMARY:

On the whole 1975 has been a satisfactory year for your company. The improvement in earnings has been the result of an increase in the physical volume of business although in some cases the margin of profit has been reduced.

Increased earnings have allowed us to increase dividend payments and to improve our capital position by reducing short term debt by slightly under a million dollars, with a resulting reduction in interest charges. We anticipate some capital expenditures during 1976 particularly for improved grain handling and storage facilities and for new automated technical equipment in the packaging division but no major projects are planned.

It appears at this time that the economy is showing signs of recovery and we feel confident that, barring unforeseen development,

your company should continue to show improved results in the coming year and in the future.

With deep regret we record the death of Mr. Donald M. Hunter in July 1975. We are indebted for the leadership and 29 years of service he gave to the Cherry Taylor Flour Mills. His efforts in the interest of Dover Industries Limited and his sincere concern for customers and employees will always be remembered.

PERSONNEL:

Mr. Donald Smith assumed Mr. Hunter's responsibilities as President of Cherry Taylor Flour Mills and Taylor Grain Limited.

Mr. Alvah Martin continues as General Manager of Taylor Grain and, Mr. Paul Brennan was appointed Assistant Manager of the Chatham Mill.

ANNUAL MEETING:

The Annual Meeting of the company will be held Tuesday, April 27 at 11:00 a.m. at Howell Packaging, Mainway Avenue, Burlington. We hope as many shareholders as possible will be present.

It is with sincere appreciation, the Board of Directors, acknowledge the contribution of management and staff during the past year.

Respectfully submitted
on behalf of the Board

Mona Campbell

President
March 24, 1976

AUDITORS' REPORT *To the Shareholders of Dover Industries Limited:*

We have examined the consolidated balance sheet of Dover Industries Limited and its subsidiaries as at December 31, 1975 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31,

1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Hamilton, Canada,
February 20, 1976.

CLARKSON, GORDON & CO.
Chartered Accountants.

Dover Industries Limited

SUMMARY OF ACCOUNTING POLICIES

December 31, 1975

The significant accounting policies followed by Dover Industries Limited are presented below to assist the reader in evaluating the financial statements:

(a) Investment in subsidiary companies—

The consolidated financial statements include the accounts of all subsidiary companies, all wholly-owned as follows:

Howell Litho and Cartons Limited
Taylor Grain Limited
Cherry Taylor Flour Mills Limited
Dover Mills Limited
Cambro Industries Limited

The excess of the cost of investments in subsidiary companies over equity in net tangible assets at date of acquisition is amortized as an operating expense. Accordingly, \$69,892, the excess cost incurred on a purchase made during 1972 is being amortized over a ten year period ending in 1982.

(b) Inventories—

Inventories are valued principally at the lower of average cost and net realizable value.

(c) Fixed assets—

Land, buildings, machinery and equipment are carried at cost, less accumulated depreciation. Expenditures for plant and equipment renewals and improvements are capitalized. The cost of disposals and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income.

Depreciation is computed on the straight-line method at rates estimated to amortize the cost of the assets over their estimated useful life, principally as follows:

Buildings	2½—10%
Equipment	10%

(d) Income taxes—

Income tax regulations permit the deduction of depreciation at a more rapid rate than is reflected in the companies' accounts. The tax effect of this timing difference is recognized in the accounts as deferred income taxes.

Dover Industries Limited

(Incorporated under the laws of Canada)

STATEMENT 1

CONSOLIDATED BALANCE SHEET

December 31, 1975 (with comparative figures at December 31, 1974)

	ASSETS	1975	1974
CURRENT:			
Accounts receivable.....	\$ 3,722,635	\$ 3,181,673	
Inventories (note 2).....	3,908,760	4,186,388	
Prepaid expenses.....	122,649	155,106	
Total current assets.....	<u>7,754,044</u>	<u>7,523,167</u>	
FIXED (Note 3):			
Land, buildings and equipment at cost.....	10,209,938	9,863,915	
Less accumulated depreciation.....	5,456,252	4,922,846	
	<u>4,753,686</u>	<u>4,941,069</u>	
OTHER:			
Accounts receivable, secured by mortgages—			
not expected to be received within one year.....	120,000	120,000	
Goodwill (excess of cost of investments in subsidiaries over equity in net tangible assets at date of acquisition)—at cost less amortization.....	48,925	55,914	
	<u>\$12,676,655</u>	<u>\$12,640,150</u>	
	LIABILITIES		
CURRENT:			
Bank indebtedness (notes 2 and 4).....	\$ 2,693,048	\$ 3,565,441	
Accounts payable and accrued charges.....	1,352,643	1,261,671	
Income and other taxes payable.....	293,607	663,454	
Dividends payable.....	15,394	15,394	
Long term debt instalments due within one year (note 5).....	138,322	171,153	
Total current liabilities.....	<u>4,493,014</u>	<u>5,677,113</u>	
LONG TERM DEBT (note 5).....	<u>1,031,453</u>	<u>1,169,775</u>	
DEFERRED INCOME TAXES.....	<u>797,000</u>	<u>611,200</u>	
SHAREHOLDERS' EQUITY:			
Capital stock—			
Authorized:			
105,000 6% cumulative preferred shares of the par value of \$10 each redeemable at par			
1,000,000 common shares without par value			
Issued:			
102,626 preferred shares.....	1,026,260	1,026,260	
285,640 common shares.....	71,750	71,750	
	<u>1,098,010</u>	<u>1,098,010</u>	
Retained earnings (statement 2).....	5,257,178	4,084,052	
	<u>6,355,188</u>	<u>5,182,062</u>	
	<u>\$12,676,655</u>	<u>\$12,640,150</u>	

On behalf of the Board:

Director

Mona Campbell

Director

John R. McPhee

See accompanying notes to financial statements.

STATEMENT 2

Dover Industries LimitedCONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 1975 (*with comparative figures for 1974*)

STATEMENT OF INCOME

	1975	1974
Sales (note 6).....	\$34,117,173	\$33,924,510
Cost of sales.....	28,198,890	28,375,790
Gross profit.....	<u>5,918,283</u>	<u>5,548,720</u>
Selling, general and administrative expenses.....	<u>3,215,977</u>	<u>2,938,451</u>
Income before taxes.....	2,702,306	2,610,269
Income taxes.....	<u>1,153,400</u>	<u>1,181,400</u>
Net income for year.....	<u>\$ 1,548,906</u>	<u>\$ 1,428,869</u>
Net income per common share.....	<u>\$5.21</u>	<u>\$4.79</u>

STATEMENT OF RETAINED EARNINGS

Retained earnings at beginning of year.....	\$ 4,084,052	\$ 2,922,419
Net income for year.....	<u>1,548,906</u>	<u>1,428,869</u>
	<u>5,632,958</u>	<u>4,351,288</u>
Dividends declared—		
Preferred—60¢ per share.....	61,576	61,576
Common—\$1.10 per share in 1975; 72¢ in 1974.....	<u>314,204</u>	<u>205,660</u>
	<u>375,780</u>	<u>267,236</u>
Retained earnings at end of year.....	<u>\$ 5,257,178</u>	<u>\$ 4,084,052</u>

See accompanying notes to financial statements.

Dover Industries Limited**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**
YEAR ENDED DECEMBER 31, 1975 (*with comparative figures for 1974*)

	1975	1974
SOURCE OF FUNDS:		
Operations—		
Net income for year.....	\$1,548,906	\$1,428,869
Add (deduct):		
Depreciation.....	558,117	470,372
Deferred income taxes.....	185,800	236,600
Gain on disposal of fixed assets.....	(2,000)	(24,998)
Amortization of goodwill.....	6,989	6,989
Funds from operations.....	<u>2,297,812</u>	<u>2,117,832</u>
Proceeds on disposal of fixed assets.....	2,000	65,408
	<u>2,299,812</u>	<u>2,183,240</u>
APPLICATION OF FUNDS:		
New facilities and equipment.....	370,734	1,311,874
Dividends to shareholders.....	375,780	267,236
Reduction of long term debt.....	138,322	171,153
Increase in long term accounts receivable.....	70,000	
	<u>884,836</u>	<u>1,820,263</u>
Increase in working capital during year.....	1,414,976	362,977
Working capital at beginning of year.....	1,846,054	1,483,077
Working capital at end of year.....	<u>\$3,261,030</u>	<u>\$1,846,054</u>

See accompanying notes to financial statements.

Dover Industries Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 1975

(1) SUMMARY OF ACCOUNTING POLICIES

Printed immediately preceding the balance sheet is the "Summary of Accounting Policies" which is an integral part of these financial statements.

(2) INVENTORIES

The inventories consist of the following:

	1975	1974
Inventory of grains (see below).....	\$1,204,657	\$1,002,323
Other raw materials.....	696,114	1,031,514
Work in process.....	502,459	512,823
Finished goods.....	1,505,530	1,639,728
	\$3,908,760	\$4,186,388

Under the Canadian Wheat Board Act, the companies are permitted to borrow from their bankers on the security of wheat purchased and held as agent for the account of the Canadian Wheat Board. At December 31, 1975 such bank advances amounting to \$3,123,561 (December 31, 1974, \$3,568,848) have been applied in the accounts against the wheat inventory.

(3) FIXED ASSETS

	1975		1974	
	Cost	Accumulated depreciation	Net book value	Net book value
Land... \$ 128,632		\$ 128,632	\$ 128,632	
Buildings 3,212,472	\$ 949,591	2,262,881	2,352,153	
Equipment 6,868,834	4,506,661	2,362,173	2,460,284	
	\$10,209,938	\$5,456,252	\$4,753,686	\$4,941,069

Depreciation provided on the above amounted to \$558,117 in 1975 and \$470,372 in 1974.

(4) BANK INDEBTEDNESS

Inventories and an assignment of book debts have been pledged to bankers as collateral security for the bank indebtedness.

(5) LONG TERM DEBT

Long term debt consists of:	1975	1974
7% first mortgage sinking fund bonds		
Series A repayable in equal annual instalments covering principal and interest and maturing on June 1, 1977.....	\$ 269,156	\$ 347,401
Series B repayable in equal annual instalments covering principal and interest and maturing on June 1, 1987.....	890,219	931,527
10.2% first mortgage of a subsidiary company principal repayable in monthly instalments of \$1,300 and maturing on August 23, 1976....	10,400	26,000
5% debentures of a subsidiary company due February 28, 1975.....		36,000
	1,169,775	1,340,928
Less principal repayments due within one year.....	138,322	171,153
	\$1,031,453	\$1,169,775

The 7% first mortgage sinking fund bonds are further secured by the guarantee of a subsidiary and a floating charge on all of the subsidiary's assets.

Payments of long-term debt for the next five years are as follows: 1976—\$138,322; 1977—\$136,876; 1978—\$146,457; 1979—\$54,147; 1980—\$57,938;

Interest expense on long term debt amounted to \$86,599 in 1975 and \$98,525 in 1974. In addition, other net interest expense amounted to \$218,780 in 1975 and \$323,197 in 1974.

(6) GROSS REVENUE BY CLASS OF BUSINESS

Gross revenue includes the following classes of business:

	1975	1974
Food products.....	\$25,589,712	\$25,699,024
Packaging materials.....	8,527,461	8,225,486
	\$34,117,173	\$33,924,510

(7) STATUTORY INFORMATION

As required by the provisions of the Canada Corporations Act, it is reported that expenses for 1975 include:

Aggregate remuneration of 12 directors as directors.... \$ 9,000

Aggregate remuneration of five officers as officers (all of whom are directors)..... 167,313

(8) ANTI-INFLATION PROGRAM

Effective October 14, 1975 the federal government passed the Anti-Inflation Act and subsequently issued Regulations which are in force until December 31, 1978. Under this legislation the company is subject to controls on shareholder dividends. Dividends to the company's common shareholders during the year ending October 13, 1976 are limited to \$1.40 per share.

Dover Industries Limited

FINANCIAL SUMMARY 1971 TO 1975

	1975	1974	1973	1972	1971
Sales.....	\$34,117,173	\$33,924,510	\$23,808,143	\$18,708,345	\$18,000,064
Income before taxes.....	\$ 2,702,306	2,610,269	1,219,915	664,480	630,600
Income tax provision.....	\$ 1,153,400	1,181,400	554,800	310,300	289,300
Net income.....	\$ 1,548,906	1,428,869	665,115	354,180	341,300
Net income per common share.....	\$ 5.21	4.79	2.11	1.02	.98
Dividends per preferred share.....	\$.60	.60	.60	.60	.60
Dividends per common share.....	\$ 1.10	.72	.46	.40	.40
Earnings retained in business.....	\$ 1,173,126	1,161,633	472,145	178,348	165,468
Current assets.....	\$ 7,754,044	\$ 7,523,167	\$ 6,137,337	\$ 4,194,391	\$ 4,753,313
Current liabilities.....	\$ 4,493,014	5,677,113	4,654,260	3,032,502	3,586,964
Working capital.....	\$ 3,261,030	1,846,054	1,483,077	1,161,889	1,166,349
Current ratio.....	1.7 to 1	1.3 to 1	1.3 to 1	1.4 to 1	1.3 to 1
Plant and equipment (net).....	\$ 4,753,686	4,941,069	4,139,977	4,106,812	3,949,908
Shareholders' equity.....	\$ 6,355,188	5,182,062	4,020,429	3,548,284	3,369,936
Common stock equity per share.....	\$ 18.66	14.55	10.48	8.83	8.20
Shares of preferred stock outstanding....	102,626	102,626	102,626	102,262	102,626
Shares of common stock outstanding....	285,640	285,640	285,640	285,640	285,640

Years 1971-1972 adjusted for 2- for -1 stock split in 1973

CONES, STRAWS & PLASTIC PRODUCTS

Sales Offices and Warehouses: Hamilton, Ontario • Montreal, Quebec

Warehouses and Sales Agents:

St. John's, Newfoundland	Fort William, Ontario	Edmonton, Alberta
Halifax, Nova Scotia	Winnipeg, Manitoba	Vancouver, British Columbia
Saint John, New Brunswick	Regina, Saskatchewan	Victoria, British Columbia
Quebec City, Quebec	Saskatoon, Saskatchewan	
North Bay, Ontario	Calgary, Alberta	

ROBINSON-CAMBRO

FLOUR & GRAIN • CHERRY TAYLOR FLOUR MILLS • TAYLOR GRAIN • DOVER MILLS

Direct Sales: Coast to Coast—Canada

Sales Agents:

England	Bermuda	Antigua	St. Lucia	Dominica	Trinidad
Scotland	Bahamas	Barbados	Montserrat	Guyana	Netherland Antilles
Portugal	Jamaica	Grenada	St. Vincent	St. Kitts	

PAPER BOXES, LABELS & POSTERS

HOWELL LITHO & CARTONS

Sales Offices: Burlington, Ontario • Montreal, Quebec

Sales Agents:

St. John's, Newfoundland	Quebec City, Quebec
Halifax, Nova Scotia	Vancouver, British Columbia
Saint John, New Brunswick	Jobber distribution coast to coast.

